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ABSTRACT

This paper focuses on mechanisms for financing (1) Catholic and other parochial schools; and (2) independent schools such as military, boarding, and day schools. Specific financial problems of each school are outlined, as well as recent developments in federal and State aid. (LLR)

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FINANCING PRIVATE SCHOOLS

by

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FINANCING PRIVATE SCHOOLS

To look at the financial status of private schools is not an easy task. The term "private schools" is quite broad. It includes the large Catholic school system, along with other parochial schools; it also includes a wide range of independent schools such as military schools, coeducational boarding schools and boys' and girls' day schools, to name just a few.

Within the framework of this presentation, I will attempt to examine several different aspects of the overall topic. First, an attempt will be made to spell out in broad general terms the scope of the problem. Second, I will examine the role of the federal government in aiding private and parochial schools. I will also identify some of the more recent developments that have taken place at the state level. Third, I will focus some of my remarks on the specific problems being faced by the large Catholic school system and then examine some of the unique financial problems that are being experienced by headmasters and board of trustees at the private independent schools.

SCOPE OF THE PROBLEM

At the present time there are about six million students enrolled in nonpublic elementary and secondary schools. This constitutes about 12 to 13 percent of the school population. Of these about 85 percent are attending schools affiliated with the Catholic Church. The other 15 percent are divided among a number of religiously affiliated and nonsectarian schools which are quite diverse in nature. With very few exceptions the vast majority of these schools are experiencing financial problems. The private schools are faced with the overall inflationary trend which all other schools, agencies and

individuals confront. They find their patrons less willing and able to support the ever increasing cost of operating the schools. (16:2) Before becoming too involved in the specific financial problems facing our private schools, let us turn our attention to the federal and state levels to see what role our government is playing with respect to these institutions and what role it might play in the future.

ROLE OF THE FEDERAL GOVERNMENT

Since the federal government has not been delegated any general authority over education, the operation of the schools is a matter reserved to the states. Nevertheless, the federal government has sources of power to deal with education matters that are in the national interest. Some special areas of federal concern, for example, are (1) the operation of military academies for defense training, (2) the support of ROTC programs in state universitites, and (3) the support of university research considered to be vital to the national interest. The really critical question, then, is not whether Congress may spend money on education, for this comes under the heading of "general welfare"; rather, the question is whether, because of any specific limitation in the Constitution, it is prohibited from aiding certain types of educational institutions and from aiding the children or young people attending these institutions. More specifically, the question is whether the First Amendment principle of separation of church and state prohibits Congress from giving aid to private and parochial schools or to students attending these institutions. (12:332)

This is not an easy question to answer. One can find persuasive arguments on both sides of the issue. As actual practice is examined, one

also finds politicians moving in opposite directions. For example, the program advocated during the Kennedy aiministration excluded any assistance for parochial as well as other nonpublic schools on the ground that such assistance would be unconstitutional as a violation of the principle of separation of church and state. On the other hand, Kennedy's proposals for assistance to higher education at the college and university level were extended to private colleges, including church colleges, and to students attending them.

The major arguments used to substantiate the view that federal aid should be extended to include private and parochial schools focus on: (1) distributive justice, (2) the parents' freedom of choice, (3) the extent of the private school enrollment, (4) the need to develop the nation's youthful talent to its maximum capacity, (5) the precedent has been established, (6) because of the nature of our pluralistic society, and (7) the child benefit theory.

Recent history offers sufficient testimony to the federal government's interest in education as expressed by financial assistance. A whole host of programs such as the G. I. Bill for financing the education of veterans; the National Housing Act provisions for low interest loans to colleges to finance the construction of dormitories, cafeterias, and other income-producing facilities; and the establishment of the National Science Foundation to provide financial assistance for study in science and mathematics. The federal government has also spent money for free lunches and has distributed surplus milk for students attending all elementary and secondary schools. Mention might also be made of historically established tax exemptions for property used for religious and educational purposes. (12:533) It would indeed be difficult, if not impossible, to dispute the notion that the precedent has

been set for federal aid for private and parochial schools.

I would agree with the respectable body of opinion which supports the conclusion that, consistent with what the Supreme Court has actually held and with practices sanctioned by experience, federal assistance should be given to private and parochial schools if it is limited to the secular functions performed by them. The main focus of federal assistance should be the intellectual and social development of all students in a particular community, not just those attending public schools. If the private and parochial schools were to receive some indirect benefits, that would be of no great concern; if, however, the aid were to be directly given to private and religious institutions, it would be unconstitutional at the present time.

The limited amount of funding that the federal government has put into private and parochial schools has been in the form of categorical aid and stipulated for very specific purposes. Many of our private schools have received no federal aid. For those schools that have received federal assistance, it has only amounted to a very small fraction of their operational budget. My guess is that during the 1970's there will be no significant change in this respect. Thus, if your school is experiencing severe financial difficulties, you will probably not receive from Uncle Sam the kind of assistance that is necessary in order to provide a quality program.

STATE FUNDS FOR PRIVATE SCHOOLS

A recent survey conducted by the National Catholic Education Association (NCEA) reports that in thirty three states proposals exist which suggest various approaches to funding nonpublic schools. All of these plans suggest ways and means of relieving the financial pressure being felt by our private

schools. Some of these proposals include the following: Loan of textbooks, credits on state income taxes, tuition grants, reimbursement for teachers' salaries, and purchases of services. If these proposals are enacted by state legislatures across the country, then the nonpublic schools will be in a much better position to continue to carry their share of the nation's educational program. (18:36) As of October, 1969, 25 states provided some form of aid to students attending private schools; 23 states provide free bus transportation; 8 states provide or loan textbooks in secular subjects.

Proponents of aid to private and parochial schools have won substantial victories in the legislatures of Connecticut, Rhode Island, Ohio and Pennsylvania. I would like to share with you some of the developments that have taken place in these states. In Connecticut, a law passed in 1969 provided direct aid to parochial schools under a "purchase of services" formula. This statute provided six million dollars for the payment of salaries for teachers of secular subjects in parochial and other nonpublic schools. As might be expected, it has been challenged on constitutional grounds in the U. S. District Court. (4:301)

The Rhode Island statute provides for state financing of up to 15 percent of the salaries of teachers of grades one to eight in church related and other private schools. This law also created a nine member commission appointed by the governor, to study the matter of state aid to nonpublic schools. The Rhode Island measure is also being tested in the courts.

In July, 1969, the Ohio legislature passed a bill that provided 45.7 million in tax funds to aid the state's 400,000 nonpublic school students. Thus the State of Ohio is involved in the direct payment of money to lay teachers in nonpublic schools for their time spent in teaching secular subjects.

In 1968 the Pennsylvania legislature passed Act 109 which authorized the superintendent of public instruction to contract for the purchase of secular services from nonpublic schools. This piece of legislation provides that certain revenues from state harness racing should go into the nonpublic elementary and secondary education fund. The Pennsylvania law provides that secular services be limited to three areas: 1) teachers' salaries, 2) textbooks, and 3) instructional materials. These services are also limited to four curriculum areas: Mathematics, modern foreign languages, physical sciences, and physical education. (13:34)

On November 28, 1969, a three-judge federal court ruled, on a two to one decision, that this type of aid was constitutional. The majority rejected the argument of the plaintiffs that the effect of the Pennsylvania statute for such aid was to support religion. This decision has been appealed and the U. S. Supreme Court has agreed to hear the case. It is tentatively scheduled for February, 1971, but will probably not be heard until later in the year. This case is of utmost importance as far as the possible role the states will play with respect to financing private and parochial schools. If its constitutionality is upheld, then we will probably see a large number of states using the Pennsylvania law as a model. If the Pennsylvania law is declared unconstitutional, then we might see more emphasis on the development of the voucher system advocated by Milton Friedman, Christopher Jencks and others.

In November, 1969, Ewald B. Nyquist, Commissioner of Education for the State of New York, released a study that was done at his request entitled Financial Support Nonpublic Schools, New York State. This study proposed

six possible ways in which state funds might be channeled into private and parochial schools in a manner consistent with constitutional prohibitions. These were: 1) textbook aid to all students in nonpublic schools; 2) provision for pupil personnel services, such as guidance, psychological and speech correction; 3) provision for remedial instruction in various subjects; 4) dual enrollment, that is, permitting nonpublic school students to attend public schools on a part-time basis; 5) grants of tuition scholarships to all nonpublic school students. This would be in the form of state subsidies paid to parents to apply against tuition charges of the nonpublic schools; and 6) direct aid to nonpublic schools. The contents of this study provide considerable "food for thought" for those who are interested in exploring the role a state might play in financing private schools. (5:302)

There are also several interesting articles on the role of the state in financing private schools in recent issues of Compact, the publication of the Education Commission of the States.

THE CATHOLIC SCHOOLS: A CRISIS

One out of eight elementary and secondary school pupils attends a parochial school and in a dozen or more states, 25 percent of all pupils attend classes in parochial schools. Although there are no official figures available, the operation of parochial schools on a yearly basis costs about 1.7 billion dollars. (10:9) Over the last several years, numerous Catholic elementary and secondary schools have been shut down and in other instances certain classes have been phased out. Between 1967 and 1970, in excess of 1,000 Catholic elementary and secondary schools have gone out of business. Enrollment declined by in excess of 500,000 students during that three-year

period. The closing down of parochial schools on a more widescale basis than we have already had, could create a desperate financial crisis for the public schools. (2:41) In New York City, for example, the city's annual public school operating budget would increase by $200 million, apart from the cost of construction. Looked at from this vantage point, the problem of financing our parochial schools is indeed formidable.

There are a variety of factors which have contributed to the present financial crisis facing the Catholic schools. Several of the factors will be briefly explored and then some attempt will be made to examine alternative approaches for funding in the decades ahead.

One of the causes for the present state of affairs is the significant decline in Catholic school enrollment. An obvious reason for the Catholic school financial crisis is that as enrollment declines, revenues from direct payments of tuition and fees also decline. Another factor which has contributed to the crisis, is that operational costs have risen sharply. The shift in the staffing pattern of our Catholic schools with the heavier emphasis on the use of lay teachers has presented the largest single pressure on school budgets in Catholic education. (19:28)

Religious congregations have simply not been able to assume full responsibility for staffing their schools. A decrease in the number of vocations, new forms of the educational apostolate, increased experimentation in religious congregations, and the departure of religious personnel from their apostolate have all been factors which contributed to the need for more lay teachers. According to the research office of the National Catholic Education Association, for every four lay teachers in Catholic classrooms in 1957, there were 11 during 1968, an increase of 52,000 lay teachers. (15:47)

If Catholic schools are to survive, then they must seriously examine alternative sources of income for the future. Let me explore with you some of the suggestions that have been made. Many Catholic educators believe that the possibilities for support of Catholic schools from individuals has not been exhausted. Personal sacrifice and generosity may be one possibility for increasing funds. Needless to say, this source of income also has its limitations. Dr. William H. Conley has argued on a repeated basis in articles and editorials in the Catholic School Journal that there be a greater sharing of funds between rich and poor parishes. Other outstanding Catholic educators, such as Msgr. D'Amour and Father Koob have also advocated centralized diocesan financing as a major source of support for Catholic schools. (19:30)

Another possible source of income could come from the development of a progressive form of taxation at the local parish level. That is, each parish's share and the share of each family in the parish would be computed on the ability to pay. Dr. Conley, in an article entitled "New Directions for Financial Support," suggested that this could be done on the basis of a percentage of the family's federal income tax. (7:37) Another source of income that has not been adequately tapped by Catholic educators is contributions from the business and industrial community. Here is one area where the effective use of laymen on the board of education could be most helpful. Two other possible sources of income for our Catholic schools are state and federal assistance. Both of these areas have already been explored at some length.

In view of the many fine contributions of our Catholic schools in the past, let us hope that they will find adequate means of support in the future.

FINANCING THE PRIVATE INDEPENDENT SCHOOL

The financial condition of the private independent school is similar to that of all other schools--private and public; they are hard pressed for funds. The vast majority of the private independent school belong to the National Association of Independent Schools (NAIS). The Association's members include more than seven hundred schools, enrolling about 244,000 students. These schools are financed by a combination of tuition, gifts, miscellaneous charges for special services, and in some cases income from endowment.

Tuition is, and has been, the principal source of income for the private independent schools. For the most part, it constitutes about 80 to 85 percent of a school's income. According to data received from the National Association of Independent Schools, the typical school charged $850 tuition in 1960. This represented about 86 percent of the per pupil cost; the other 14 percent came from: Endowment, 4 percent; gifts, 5.8 percent; and miscellaneous revenue, 4.2 percent. At the present time tuition for the so-called typical independent school is about $1600, a figure which represents a decline from 86 percent of total income in 1960 to only 81.4 percent at the end of the 1960's. Despite the fact that tuition has almost doubled, and that annual fund raising drives have been more effective, the schools are not in better financial condition. For example, only about one-third of the schools reported operating deficits in 1960 but more than half of the schools reported that they were operating "in the red" in 1969. (17:1)

I recently completed a survey of the financial conditions of a sample of 125 private independent schools listed in the Bunting and Lyon Blue Book, 1970, entitled Private Independent Schools. Its purpose was to determine some general trends concerning the financing of private schools. No

attempt will be made to handle the data in a statistical manner but rather, I will attempt to share with you the views and attitudes of the headmasters concerning their financial problems.

The first two questions asked dealt with the cost of annual tuition and the percentage of operational funds that comes from tuition and other sources. These two concerns have already been discussed. The third question asked: What do you consider to be the most pressing financial problem your school faces? In examining the responses to this question, some very definite trends could be identified. The most frequent response given was the fact that the overall inflationary trend of the nation had brought about a significant increase in operating expenses and per pupil expenditure but that the sources of income did not grow proportionately. Many of the headmasters expressed concern about the constant need to increase tuition as a means of balancing the budget. The second most frequent response was the need to increase faculty salaries so as to maintain and attract outstanding teachers. Needless to say, salary increases can come about in many schools only if there is an increase in tuition. Here is one of the great dilemmas. Over half the respondants indicated that their schools were faced with serious financial difficulties.

The fourth question asked headmasters was what suggestions they would make as far as solving the financial problems that face the private schools. Although the answers to this question varied considerably, the most frequent response was that there should be federal and state aid to private schools. Some headmasters qualified this by suggesting that the individual should receive the aid, perhaps in the form of a voucher, and not the institution.

The second most frequent response was that the private schools should be doing a better job on developing endowment programs. Other responses included the following: Improve alumni support and annual fund raising campaigns, cut overhead expenses and eliminate program elements that are not essential, increase tuition and enrollment, and do a better job in raising funds from business, industry, and foundations.

A fifth question asked was: To what extent do you feel that the state or federal government should be involved in financing private schools? The response to this question indicated that there is little agreement among headmasters concerning the role they would like to see the state and federal government play with respect to financing their institutions. About one fourth of the responses indicated that there should be state and federal aid to private schools. A typical response within this category read as follows: "We can not continue to provide quality education on the small amount of tuition collected. Unless government aid becomes a major part of our income, a school like ours, which has been serving an excellent purpose and providing a good educational program will be forced to close its doors." About another one-fourth of the responses indicated that there should be no federal aid to private schools. One headmaster replied by saying, "none at all, those who do accept it will be sorry." Another one-fourth of the respondants stated that there should be state and federal aid but that it should not be given directly to the institution. One headmistress replied as follows: "I feel that state and federal aid should go to the individuals rather than the institutions, because I feel that by accepting either state or federal aid the independent school ceases to be independent." The last one fourth of the respondants seemed to have "mixed feelings" concerning

this issue. Said one administrator: "Any hasty answer to this question would be extremely foolish. There's just too much at stake. Suffice it to say that we will apply for financial assistance legally available to us from government sources when and only when the controls do not detrimentally alter the job we believe we are doing to educate our students."

It is certainly my hope that through a variety of possible approaches, such as state and federal assistance, a voucher system, tuition increases, endowments, annual fund raising drives, or funds from business, industry, and foundations, that private schools will be able to survive the current financial crisis and continue to provide the kind of diversity that is essential in a pluralistic society.

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